

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)
APPLICATION OF YATES PETROLEUM)
CORPORATION FOR AN UNORTHODOX GAS)
WELL LOCATION, AN EXCEPTION TO DIVISION)
RULE 104.C.(2).(B), AND A RETROACTIVE)
APPROVAL DATE FOR ANY ORDER ISSUED IN)
THIS CASE, CHAVES COUNTY, NEW MEXICO)

CASE NO. 13,229

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

September 16th, 2004

Santa Fe, New Mexico

2004 OCT 1 PM 2 00

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, September 16th, 2004, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

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September 16th, 2004
Examiner Hearing
CASE NO. 13,229

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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 Santa Fe, New Mexico 87504-2208
 By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 9:34 a.m.:

3 EXAMINER EZEANYIM: So at this time I will call
4 Case Number 13,229, which is reopened application,
5 continued from August 19th, the Application of Yates
6 Petroleum Corporation for an unorthodox gas well location,
7 an exception to Division Rule 104.C.(2).(b), and a
8 retroactive approval date for any order issued in this
9 case, Chaves County, New Mexico.

10 Call for appearances.

11 MR. CARR: May it please the Examiner, my name is
12 William F. Carr with the Santa Fe office of Holland and
13 Hart, L.L.P. We represent Yates Petroleum Corporation in
14 this matter, and I have two witnesses.

15 EXAMINER EZEANYIM: Any other appearances?

16 May the witnesses stand up to be sworn?

17 (Thereupon, the witnesses were sworn.)

18 EXAMINER EZEANYIM: Mr. Carr, you may continue.

19 MR. CARR: Thank you, Mr. Ezeanyim.

20 CHARLES E. MORAN,

21 the witness herein, after having been first duly sworn upon
22 his oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. CARR:

25 Q. Would you state your full name for the record,

1 please?

2 A. My name is Charles Moran.

3 Q. Mr. Moran, where do you reside?

4 A. In Artesia, New Mexico.

5 Q. By whom are you employed?

6 A. Yates Petroleum Corporation?

7 Q. And what is your position with Yates Petroleum
8 Corporation?

9 A. Chief landman.

10 Q. Would you summarize for the Examiner your
11 educational background and review your work experience?

12 A. My educational background, I have a BBA in
13 accounting from St. Edwards University in Austin and a
14 juris doctor degree from the University of Tulsa in
15 Oklahoma. I've been employed with Yates Petroleum for 12
16 years in the land department.

17 Q. Are you familiar with the Application filed in
18 this case?

19 A. I am.

20 Q. Are you familiar with the status of the lands in
21 the subject area?

22 A. I am.

23 MR. CARR: Mr. Ezeanyim, we tender Mr. Moran as
24 an expert witness in petroleum land matters.

25 EXAMINER EZEANYIM: Mr. Moran is so qualified.

1 Q. (By Mr. Carr) Mr. Moran, would you briefly
2 summarize what it is that Yates seeks with this
3 Application?

4 A. We are seeking an unorthodox location for our
5 Hanlad AKZ State Well Number 2, located 330 feet from the
6 south line and 1225 feet from the west line in Section 13
7 of Township 8 South, Range 27 East, Chaves County, New
8 Mexico. We are asking for an effective date of October 1,
9 2003, for this order.

10 Q. And is it because Yates is requesting the
11 retroactive effective date that the Division set this case
12 for hearing?

13 A. It is my understanding that is the reason we
14 could not get this done administratively.

15 Q. Mr. Moran, this case was also advertised for an
16 exception to Division Rule 104.C.(2).(b), so that the
17 subject well, the Hanlad Number 2, could be completed as an
18 infill well in the same formation and in the same quarter
19 section as the original well on the unit. Is this well to
20 be completed in the Wolfcamp formation?

21 A. The Number 2 well will be completed in the
22 Wolfcamp formation.

23 Q. And where is the Number 1 well?

24 A. The Number 1 well is currently completed in the
25 Strawn formation.

1 Q. So we're not going to have two wells in one
2 formation?

3 A. Correct.

4 Q. And we can therefore request that the portion of
5 the case related to the exception to Division Rule
6 104.C.(2).(b) be dismissed; is that right?

7 A. Yes.

8 Q. Could you identify for the Examiner Yates
9 Petroleum Corporation Exhibit Number 1 and review this
10 exhibit for him?

11 A. Exhibit Number 1 is a nine-section plat centered
12 on Section 13 of Township 8 South, Range 27 East, Chaves
13 County, New Mexico. In Section 13 you will note that the
14 south half is bracketed in dark black. That is the spacing
15 unit for the existing wells that produce on a 320-acre
16 basis.

17 In the southwest quarter you will see two wells
18 under the crosshach. You will see a gas well at
19 approximately 660 feet from the south line and from the
20 west line. That is the Hanlad Number 1 well. And then the
21 dark circle approximately 1225 feet from the west line is
22 the Hanlad Number 2 well.

23 Q. The Hanlad Number 2 well is encroaching on the
24 south line of the section; is that right?

25 A. Yes, it is.

1 Q. And who are the offset operators who could be
2 affected by the encroachment of this well?

3 A. The encroachment of the well encroaches on
4 Section 24, which is a leasehold in both -- in Section 24,
5 owned by Yates Petroleum Corporation; Yates Drilling
6 Company; Myco Industries, Inc.; and -- Abo, Myco, Yates --
7 and Yates Petroleum. They're all Yates entities.

8 Q. So you're really on encroaching upon yourself?

9 A. Encroaching upon ourselves.

10 Q. Let's go to what has been marked Yates Exhibit
11 Number 2, and using this exhibit I would ask you to review
12 for the Examiner the history of the Hanlad AKZ Well Number
13 1.

14 A. The Hanlad AKZ Number -- or Exhibit Number 1 is
15 the -- or 2, is the original C-102 filed by the company
16 that drilled the well, that being Rault Petroleum. Also
17 attached to it is the order they obtained to drill, in
18 1982, the unorthodox location of 660-660. At that time it
19 was -- a location 660 feet from the south and west was
20 unorthodox. The rules have been changed. That would be an
21 orthodox well today. But that well was drilled there. It
22 was originally drilled to the Ordovician and completed back
23 into the Strawn formation. There's correspondence with the
24 Division attached to Exhibit 2 for history.

25 Yates Petroleum Corporation obtained the Hanlad

1 Number 1 well after the previous operator, or previous
2 owners, let the lease expire. And Yates Petroleum
3 Corporation and its partners bought the leasehold at
4 auction and subsequently paid for the salvage value on the
5 Number 1 well to the previous owners. And that is how we
6 became the operator of the Hanlad Number 1.

7 Q. Mr. Moran, this well was originally completed in
8 the Pennsylvanian?

9 A. Yes.

10 Q. This exhibit contains an administrative order,
11 NSL-3309, where Yates got approval to complete this well in
12 the Wolfcamp; is that correct?

13 A. Yes.

14 Q. And then the last page in this exhibit is a copy
15 of the sundry notice, which shows that in October of 2003,
16 the well was once again recompleted in the Pennsylvanian
17 formation?

18 A. Yes.

19 Q. All right, and that is the history on the well
20 that -- I suspect that that is the reason there was concern
21 that the first well in the unit was completed in the
22 Wolfcamp formation, so that is provided as background
23 information for the Division.

24 And now I would like, Mr. Moran, to go to Exhibit
25 Number 3 and review this information as it relates to the

1 well that is the subject of today's Application, the Number
2 2 well.

3 A. Exhibit Number 3 is our order for the unorthodox
4 location, Order Number R-9721, that we obtained in 1992 to
5 drill the Hanlad Number 2 well. That well was authorized
6 for drilling at the unorthodox location pursuant to this
7 order.

8 And if you will note in paragraph 1 of the order,
9 it was limited to the Ordovician formation only. That's on
10 page 3 of the order, under the number (1).

11 Q. And is this well that you now seek approval of
12 the unorthodox location to recomplete?

13 A. We are attempting to -- we have recompleted the
14 well into the Wolfcamp formation at this time, and we need
15 authority to produce the well.

16 Q. What is the current status of the Number 2 well?

17 A. The Number 2 well is currently shut in, pending
18 obtaining approval to produce the well at an unorthodox
19 location.

20 Q. And why do you need the retroactive effective
21 date on this order?

22 A. The retroactive date is necessary because this
23 well was on the shut-in list and we were required by the
24 OCD to either plug the well or bring it back into
25 production. In complying with the OCD's request to bring

1 the well back into production, we went out there and worked
2 on the well and completed in the Wolfcamp.

3 It was subsequently discovered, once we started
4 trying to produce the well and test the well, that we did
5 not have authority to produce it in the Wolfcamp formation.
6 Those tests were occurring in October of '03, and we chose
7 the October 1st date to cover any operations or production
8 from out there during the process of bringing that well
9 back into compliance with the Rules.

10 Q. And when you discovered that the original order
11 approving the location for the well was limited to the
12 Ordovician, you shut the well in? *ok*

13 A. We shut the well in.

14 Q. What does Yates plan to do with the wells on this
15 spacing unit?

16 A. Yates plans to produce them as long as possible,
17 as economically possible, to obtain the most reserves out
18 of them.

19 Q. Has notice been provided of this Application to
20 all affected interest owners as required by the Division?

21 A. Yes, it has, and to the extent that all the
22 interest owners are related entities they are all
23 participants in the well, in the wells in the south. We
24 did send notice to Yates Drilling; Myco Industries, Inc. ;
25 and Abo Petroleum Corporation and the State Land Office,

1 just to make sure we covered all bases.

2 Q. When the administrative applications were filed
3 -- and Exhibit Number 4 is a copy of the administrative
4 application -- no notice was required because you were only
5 encroaching on yourself; is that right?

6 A. Correct.

7 Q. And when it was set for hearing, you filed --
8 just to be certain all bases were covered, you provided
9 notice to the Land Office and --

10 A. Yes.

11 Q. -- all Yates entities?

12 In your opinion, will approval of the Application
13 be in the best interests of conservation, the prevention of
14 waste and the protection of correlative rights?

15 A. Yes, it will.

16 Q. Will Yates call a geological witness to confirm
17 that the two wells on this unit will, in fact, be producing
18 from separate horizons?

19 A. Yes.

20 Q. Were Yates Exhibits 1 through 4 prepared by you
21 or compiled under your direction?

22 A. They were compiled under my direction.

23 MR. CARR: May it please the Examiner, at this
24 time we move the admission into evidence of Yates Petroleum
25 Corporation Exhibits 1 through 4.

1 EXAMINER EZEANYIM: Exhibits 1 through 4 will be
2 admitted into evidence.

3 MR. CARR: And that concludes my examination of
4 Mr. Moran.

5 EXAMINER EZEANYIM: I think I will wait to ask my
6 questions with your second -- until your second testimony
7 so that any of them can answer at that time.

8 MR. CARR: Mr. Examiner, we would therefore at
9 this time call Tim Miller.

10 EXAMINER EZEANYIM: Tim Miller.

11 TIM MILLER,
12 the witness herein, after having been first duly sworn upon
13 his oath, was examined and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. CARR:

16 Q. Mr. Miller, would you state your full name for
17 the record?

18 A. My name is Tim Miller.

19 Q. Where do you reside?

20 A. I reside in Carlsbad, New Mexico.

21 Q. By whom are you employed?

22 A. Yates Petroleum Corporation.

23 Q. And what is your position with Yates Petroleum
24 Corporation?

25 A. I'm a petroleum geologist.

1 Q. Would you review your educational background and
2 work experience for Mr. Ezeanyim?

3 A. I graduated from Marietta College with a bachelor
4 of science in geology in 1975. In 1978 I graduated with a
5 BS in geology from West Texas State University in Canyon,
6 Texas. I have been employed by several companies in the
7 past, most recently with Yates Petroleum as a geologist in
8 Artesia for a little over 11 1/2 years.

9 Q. Does the geographic area of your responsibility
10 include the acreage which is involved in today's case?

11 A. Yes, it does.

12 Q. Are you familiar with the Application filed in
13 this matter?

14 A. Yes, I am.

15 MR. CARR: Mr. Ezeanyim, we tender Mr. Miller as
16 an expert in petroleum geology.

17 EXAMINER EZEANYIM: Mr. Miller is so qualified.

18 Q. (By Mr. Carr) Mr. Miller, there's been some
19 confusion as to exactly the intervals that each of these
20 wells will be completed in, producing from. Would you
21 refer to your Exhibit Number 5, the cross-section, and
22 confirm for the Examiner the intervals in each well that
23 will be produced?

24 A. Yes, if you look at the exhibit that is the
25 cross-section, this is a cross-section that is hung

1 stratigraphically on top of the Wolfcamp. The Hanlad
2 Number 1, which is on the left side, the original operator
3 was Rault Petroleum Corporation, which they let the lease
4 expire so Yates Petroleum came in and re-leased the section
5 and took over the Hanlad Number 1.

6 The Hanlad Number 2 is the well on the right side
7 of the cross-section.

8 There is an index map down in the bottom lower
9 right of this cross-section to give you an idea where these
10 wells are located in Section 13 of 8 South, 27 East. As
11 you can see, the Hanlad Number 1 is on the left side, and
12 the Hanlad Number 2 is to the southeast of the Number 1.

13 These two wells, as I've shown on this cross-
14 section -- what I've done, I have labeled the top of the
15 Wolfcamp. Then moving down, you have the top of the Cisco,
16 which a lot of people would call also the top of the
17 Pennsylvanian formation. Then we have Strawn/Penn
18 clastics. The older terminology for this, when this well
19 was completed, is in the Penn clastics. We also call it
20 the Strawn formation.

21 Then in the Rault Petroleum Number 1 well, which
22 is the Hanlad Number 1, you see there is Mississippian
23 formation, and below that we have the Siluro-Devonian
24 formation which is dolomite. Other people also call it the
25 Ordovician. There's give and take back there. We have

1 drilled some wells near here to the west and drilled a full
2 -- and took a full core analysis through -- from the Strawn
3 down into what we call the Siluro-Devonian, and we have
4 determined through some paleoanalysis that we feel better
5 that the Ordovician leased up in this area should better be
6 called the Siluro-Devonian; that's why there might be a
7 discrepancy in the old data.

8 Anyway then, on the right is the Hanlad Number 2.
9 Same thing, top of Wolfcamp, the Cisco, Strawn/Penn
10 clastics. This well does not have any Mississippian
11 formation; you go directly from the Strawn into the Siluro-
12 Devonian dolomite.

13 Now, to show where the discrepancies are on the
14 two wells producing from separate formations, the Hanlad
15 Number (1,) the well on the left-hand side of the cross-
16 section, what is colored in orange is the perforations in
17 the Strawn-Penn clastics. And this well, from June of 1983
18 up until March of '04 has produced 509 million cubic feet
19 of gas, 352 barrels of oil and 984 barrels of water.

20 The Hanlad Number 2, it originally produced down
21 in what we call the Siluro-Devonian. We see that down
22 around 6400 feet, the orange perforations. It cum'd 486
23 million cubic feet of gas, or I should say -- yes, 1163
24 barrels of oil, and 30,470 barrels of water.

25 In October of last year we decided to move up and

1 test the Wolfcamp, and you see those perms up towards the
2 top where the Wolfcamp is labeled in orange. And when we
3 were producing it, it had accumulated, so far, until we
4 shut it in, 4.8 million, 14 barrels of oil and 4480 barrels
5 of water.

6 As you can see, both wells, they are distinctly
7 producing from two separate geological-age formations.
8 They are not producing out of the Wolfcamp. The Hanlad
9 Number 1 is producing out of the Strawn/Penn clastics, and
10 the Hanlad Number 2 is producing up in the Wolfcamp.

11 Q. Mr. Miller, was Exhibit 5 prepared by you?

12 A. Yes, it was.

13 MR. CARR: Mr. Ezeanyim, we move the admission
14 into evidence of Yates Exhibit Number 5.

15 EXAMINER EZEANYIM: Exhibit Number 5 will be
16 admitted into evidence.

17 MR. CARR: That concludes my examination of Mr.
18 Miller.

19 EXAMINER EZEANYIM: Gail, any questions?

20 (Off the record)

21 EXAMINATION

22 BY EXAMINER EZEANYIM:

23 Q. All right, the questions I'm going to be asking,
24 I don't know who's going to answer them, but the two
25 witnesses, you know, can answer. If you can't answer them,

1 maybe the other witness can answer that.

2 First of all, let's go to -- you dismissed one of
3 the things you are seeking for today. You dismissed that
4 exception to Rule 104.C.(2).(b).

5 A. (By Mr. Moran) Yes, as to the Strawn formation,
6 so we're not asking for simultaneous dedication.

7 Q. So you are asking only the --

8 A. (By Mr. Moran) Only for the Wolfcamp.

9 Q. Wolfcamp.

10 A. (By Mr. Moran) And we already have the
11 Ordovician in the previous order.

12 Q. The other, you're talking about this R-9721?

13 A. (By Mr. Moran) The original order. I don't
14 recall the number, but the original order.

15 Q. Okay. So your only interest now is the Wolfcamp,
16 right?

17 A. (By Mr. Moran) Correct.

18 Q. Before I go to other questions, effective date.
19 You testified about -- I know you are standing there -- you
20 testified about an effective date, October, 2003; is that
21 right?

22 A. (By Mr. Moran) Right. The reason for that was
23 because this well was shut in at the time. It was on the
24 list requested by the OCD to take action with the well. We
25 brought that well back into -- we were out conducting the

1 operations to bring the well back into compliance, and we
2 recompleted in the Wolfcamp and we were producing that. At
3 that time we learned that the order we had for that well
4 will not cover the Wolfcamp formation, and so we
5 immediately shut it in and filed for an administrative
6 application.

7 The date of October 1st is to go back and catch
8 any production that occurred when we were out there
9 conducting operations pursuant to bringing the well back
10 into compliance with the other rules.

11 Q. So you are saying that if that request is denied
12 you would be in violation of the rules. Is that why you
13 want to make it retroactive to --

14 A. (By Mr. Moran) Yes.

15 Q. -- October 1?

16 I know you mentioned this Order R-9721 here. Did
17 you -- somebody testified that on the west -- on the north
18 half -- let me see -- north half of Section 24, BHP
19 Petroleum -- don't they have any interest in there?

20 A. (By Mr. Moran) Those leases also expired, and
21 Yates Petroleum Corporation and the other Yates entities
22 purchased those leases.

23 Q. So you acquired the interest of BHP in that --

24 A. (By Mr. Moran) Well, no, the wells were plugged,
25 and those leases were subsequently sold at auction by the

1 State Land Office, and we were the purchasers of those
2 leases.

3 Q. So you represent interest in that --

4 A. (By Mr. Moran) In the south half, those are the
5 tougher wells.

6 Q. Okay, because when I look at Order R-9721 I know
7 that BHP properties has some interest there.

8 A. (By Mr. Moran) They originally did. They
9 drilled the well down in Section 24, the Puffer, that if
10 you will look on the plat you will see that they were shown
11 to be plugged and abandoned. Yates Petroleum Corporation,
12 I believe, has subsequently gone in and re-entered those
13 wells, have we not?

14 MR. MILLER: Well, we've gone in and re-entered
15 the second one --

16 MR. MORAN: The second one.

17 MR. MILLER: -- the southwest quarter.

18 MR. MORAN: Okay.

19 MR. MILLER: And the first one is still plugged
20 and abandoned.

21 MR. MORAN: We've got plans to try that too.

22 MR. MILLER: Yes.

23 Q. (By Examiner Ezeanyim) So essentially you own
24 100-percent in that?

25 A. (By Mr. Moran) Yes.

1 Q. And therefore there's no need for any notice
2 requirement in this case?

3 A. (By Mr. Moran) Correct.

4 A. (By Mr. Miller) Correct.

5 Q. The well you're talking about, what formation are
6 you in now? I know you want to go to the Wolfcamp, your
7 primary target. Where are you right now? You are in the
8 Pennsylvanian?

9 A. (By Mr. Miller) No, the Hanlad Number 2 is --
10 right now is not producing at all.

11 Q. You shut it in?

12 A. (By Mr. Miller) We shut it in, because
13 basically, it did produce out of what's called the
14 Ordovician, and it produced almost half a BCF before it
15 depleted, so that's why it was shut in originally. And
16 then we decided -- the order about the State telling us to
17 do something or lose the well, we found out that there were
18 some interesting intervals up in the Wolfcamp, and we went
19 in there and perforated and acidized them, and we'll have a
20 pretty decent well if we're allowed to produce it.

21 So right now it's not doing anything.

22 EXAMINER EZEANYIM: Okay. Do you have any
23 questions?

24 MS. MacQUESTEN: I had a couple of questions, and
25 I don't know whether they're for Mr. Moran or Mr. Carr, but

1 I understand you're asking for the order to have
2 retroactive because you were requested or directed to bring
3 the well into compliance with, I assume, 201?

4 MR. CARR: Yes, that's right.

5 MS. MacQUESTEN: Was that a formal order or some
6 other --

7 MR. MORAN: It was --

8 MR. CARR: It was on the list.

9 MR. MORAN: We had a list, working list, of all
10 the wells that we were working to bring back into
11 compliance. This is one of the last ones on the list that
12 we were bringing back into compliance pursuant to the list
13 and agreement we had with the OCD to bring all our wells
14 back into compliance.

15 MS. MacQUESTEN: Was this an informal agreement
16 or an agreement issued after a hearing?

17 MR. CARR: We had a list of wells presented to us
18 by the Division. We met with the Division, we entered a
19 stipulated compliance order, I think is what it was called,
20 and where we agreed to bring the wells on the list, so many
21 per month, until all of them were in compliance.

22 This was one of the later ones, and when they got
23 out and were working on the well and testing the Wolfcamp
24 they discovered that the original order approving the
25 unorthodox location was expressly limited to one horizon.

1 The reason for the delay is partially that what
2 we did was, we filed an administrative application seeking
3 authorization in all horizons for the well, and Mr. Stogner
4 kicked that back, saying that that would create a number of
5 problems.

6 And so we dismissed that case, filed a second
7 Application. And then because I found an administrative
8 order in the Wolfcamp -- I've included that -- only to
9 discover that in this well they had never gone down -- that
10 they had gone back to the Penn.

11 MR. MORAN: The Penn in that well.

12 MR. CARR: But in any event, there were
13 confusions in both of them. And I talked to Mr. Stogner,
14 and he suggested because of the retroactive effective date
15 he thought we ought to put the whole history out before the
16 Division and come to hearing on this one.

17 MS. MacQUESTEN: Was this an agreed compliance
18 order entered into negotiated with Mr. Brooks?

19 MR. CARR: Yes, it was. Yes, it was.

20 MS. MacQUESTEN: Is he aware of this action?
21 Does he feel that --

22 MR. CARR: I have no idea. The well is no longer
23 on the list because we've got it in a posture where it's
24 capable of production.

25 MS. MacQUESTEN: Thank you.

1 EXAMINER EZEANYIM: So actually this case was
2 sent to hearing because we couldn't approve the retroactive
3 date?

4 MR. CARR: That was the feeling, yes, and we just
5 want to pick up the production back at the time it was
6 being recompleted and tested.

7 EXAMINER EZEANYIM: Nothing further, you may be
8 excused.

9 MR. CARR: That concludes our presentation.

10 EXAMINER EZEANYIM: Now I will take Case Number
11 13,229 under advisement.

12 (Thereupon, these proceedings were concluded at
13 9:59 a.m.)

14 * * *

15
16
17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
the Examiner hearing of Case No. 13229
19 heard by me on 9/16/74

20  Examiner
Oil Conservation Division

21
22
23
24
25

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL September 19th, 2004.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006